

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

SAMSON RESOURCES COMPANY

AI # 32300, 86101, 83911 and 121483

PROCEEDINGS UNDER THE LOUISIANA
ENVIRONMENTAL QUALITY ACT
LA. R.S. 30:2001, ET SEQ.

* Settlement Tracking No.
* SA-AE-05-0065
*
* Enforcement Tracking No.
* AE-CN-03-0345
* AE-PP-04-0099
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SETTLEMENT

The following Settlement is hereby agreed to between Samson Resources Company ("Respondent") and the Department of Environmental Quality ("DEQ" or "the Department"), under authority granted by the Louisiana Environmental Quality Act, La. R.S. 30:2001, et seq. ("the Act").

I

Respondent is a corporation that owns and/or operates four oil and gas production facilities: (1) the Valentine Field Southdown Tank Battery No. 9 facility located approximately 1.5 miles northwest of Valentine in Lafourche Parish, Louisiana; (2) the Point Fing Production Facility located off River Road north of Chloe in Calcasieu Parish, Louisiana; (3) the Goss Bay Production Facility located two miles northeast of Lake Charles on Goss Ferry Road, Calcasieu Parish, Louisiana; and (4) the Bay Jimmy Production Facility located 10.9 miles west of Port Sulphur, Plaquemines Parish, Louisiana.

II

On March 12, 2004, the Department issued to Respondent a Consolidated Compliance Order & Notice Of Potential Penalty, Enforcement No. AE-CN-03-0345, which was based upon the following findings of fact:

The Valentine Field facility currently operates under Air Permit No. 1560-00060-03, effective February 2, 2003. The facility submitted a permit modification request that was received by the Department on July 17, 2003. On or about August 15, 2003, an inspection of the Valentine Field facility was performed to determine the degree of compliance with the Act and Air Quality Regulations. The following violations were noted during the course of the inspection:

A new glycol regenerator, emission points 27-03-GR-BS and 28-03-GR-SCC, had been installed and was operating prior to the approval of the permit modification. The construction, modification, or operation of a facility which may ultimately result in an initiation or increase in emission of air contaminants prior to approval from the permitting authority is a violation of LAC 33:III.501.C.2 and Sections 2057(A)(1) and 2057 (A)(2) of the Act.

It was also noted during the course of the inspection that the old glycol regenerator, emission points 21-00-GR-BS and 22-00-GR-SC, was still connected, but not operational. According to facility representatives, this unit is to be used as a back up in an emergency event. This unit is not included in the permit modification received by the Department on July 17, 2003.

III.

The Point Fing Production Facility is a unmanned oil and gas production facility that currently operates under Air Permit No. 0520-00236-00, effective August 27, 2002. On or about October 22, 2003, an inspection of the Point Fing facility was performed to determine the degree of compliance with the Act and Air Quality Regulations. The following violation was noted during the course of the inspection:

The Respondent was operating six (6) 400-barrel storage tanks. The Respondent's permit lists only four (4) storage tanks. The construction, modification, or operation of a facility which ultimately may result in an initiation or increase in emission of air contaminants without prior approval from the permitting authority is a violation of LAC 33:III.501.C.2, and Sections 2057(A)(1) and 2057(A)(2) of the Act.

IV

On May 25, 2005, the Department issued to Respondent a Notice Of Potential Penalty, Enforcement No. AE-PP-04-0099, which was based upon the following findings of fact:

On or about December 22, 2003, an inspection of Gross Bay Production facility was performed to determine the degree of compliance with the Louisiana Environmental Quality Act and the Air Quality Regulations. The facility currently operates under Air Permit No. 0520-00222-01, issued on February 13, 2004. The following violations were noted during the course of the inspection:

- A. At the time of inspection, the facility was operating under Air Permit No. 0520-00222-00, issued on June 3, 2002. During the inspection of the Respondent's facility, several housekeeping issues were noted by the inspector. The inspector observed several 5-gallon buckets containing hydraulic oil and burnt glycol fluids left open to the atmosphere. This is a violation of LAC 33:III.2113.A.3. which states, "Waste materials that contain volatile organic compounds shall be stored and disposed of in a manner that reduces or eliminates the emission of volatile organic compounds." This is also a violation of Sections 2057(A)(1) and 2057(A)(2) of the Act.
- B. The Department received an application for permit modification from the Respondent on December 5, 2003. At time of the inspection, the inspector noted that a 400 BBL oil storage tank-vent (Emission Point 4c-03-OST-CV), a 400 BBL water storage tank-vent (Emission Point 4d-03-WST-CV), a storage tank-vent (Emission Point 18-03-ST-V), a continuous burn flare (Emission Point 19-03-F), six (6) gas operated pumps (Emission Points 20-03-GOP, 21-03-GOP, 22-03-GOP, 23-03-GOP, 24-03-GOP, and 25-03-GOP), an internal combustion engine (Emission Point 26-03-ICE-ES), and pneumatic controllers (Emission Point 27-03-PC) were added to the facility prior to permit approval. The construction,

modification, or operation of a facility which may ultimately result in an initiation or increase in air contaminants prior to the approval by the permitting authority is a violation of LAC 33:III.501.C.2, and Sections 2057(A)(1) and 2057(A)(2) of the Act.

- C. According to the Minor Source Air Permit Application, dated January 7, 2000, the Respondent proposed a condensate production level of 36,500 bbl/yr, which is equivalent to 100 bbl/day. Based on this production level, the Respondent approximated fugitive VOC emissions due to loading, working, and flashing. According to production data for the 2002 and 2003 calendar years, the facility averaged over 500 bbl/day of condensate production. The Respondent's failure to operate the facility in accordance with proposed production levels is a violation of Louisiana Air Emission Permit General Condition I of Air Permit No. 0520-00222-00, LAC 33:III.501.C.4, and Sections 2057(A)(1) and 2057(A)(2) of the Act.

V

On or about February 3, 2005, a file review of Bay Jimmy Production Facility was performed to determine the degree of compliance with the Act and the Air Quality Regulations. The facility currently operates under Air Permit No. 2240-00350-00, issued on May 24, 2004. The Respondent operated the facility from February 1, 1993, through March 1, 2004, at which time Samson Contour Energy E&P, LLC became the owner/operator. The following violation was noted during the course of the file review:

The Respondent failed to obtain approval from the permitting authority prior to the construction, modification, and/or operation of a facility which ultimately resulted in the initiation or increase in emission of air contaminants. This is a violation of LAC 33:III.501.C.2 and Sections 2057(A)(1) and 2057(A)(2) of the Act.

VI

Respondent denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties.

VII

Nonetheless, Respondent, without making any admission of liability under state or federal statute or regulation, agrees to pay, and the Department agrees to accept, a payment in the amount of SIXTEEN THOUSAND AND NO/100 DOLLARS (\$16,000.00), of which EIGHT HUNDRED TEN AND 07/100 DOLLARS (\$810.07) represents DEQ's enforcement costs, in settlement of the claims set forth in this agreement.

VIII

Respondent further agrees that the Department may consider the inspection report(s), the Consolidated Compliance Order & Notice Of Potential Penalty and this Settlement for the purpose of determining compliance history in connection with any future enforcement or permitting action by the Department against Respondent, and in any such action Respondent shall be estopped from objecting to the above-referenced documents being considered as proving the violations alleged herein for the sole purpose of determining Respondent's compliance history.

IX

This agreement shall be considered a final order of the secretary for all purposes, including, but not limited to, enforcement under La. R.S. 30:2025(G)(2), and Respondent hereby waives any right to administrative or judicial review of the terms of this agreement, except such review as may be required for interpretation of this agreement in any action by the Department to enforce this agreement.

X

This settlement is being made in the interest of settling the state's claims and avoiding for both parties the expense and effort involved in litigation or an adjudicatory hearing. In agreeing

to the compromise and settlement, the Department considered the factors for issuing civil penalties set forth in LSA- R. S. 30:2025(E) of the Act.

XI

The Respondent has caused a public notice advertisement to be placed in the official journal of the parish governing authority in Lafourche Parish, Calcasieu Parish and Plaquemines Parish, Louisiana. The advertisement, in form, wording, and size approved by the Department, announced the availability of this settlement for public view and comment and the opportunity for a public hearing. Respondent has submitted a proof-of-publication affidavit to the Department and, as of the date this Settlement is executed on behalf of the Department, more than forty-five (45) days have elapsed since publication of the notice.

XII

Payment is to be made within ten (10) days from notice of the Secretary's signature. If payment is not received within that time, this Agreement is voidable at the option of the Department. Payments are to be made by check, payable to the Department of Environmental Quality, and mailed or delivered to the attention of Darryl Serio, Office of Management and Finance, Financial Services Division, Department of Environmental Quality, Post Office Box 4303, Baton Rouge, Louisiana, 70821-4303. Each payment shall be accompanied by a completed Settlement Payment Form (Exhibit A).

XIII

In consideration of the above, any claims for penalties are hereby compromised and settled in accordance with the terms of this Settlement.

XIV

Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of his/her respective party, and to legally bind such party to its terms and conditions.

SAMSON RESOURCES COMPANY

BY: _____

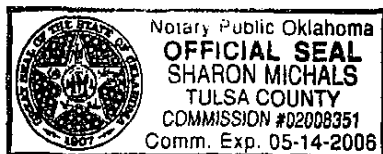
(Signature)

Jack A. Canon

(Printed or Typed)

TITLE: Attorney-In-Fact

THUS DONE AND SIGNED in duplicate original before me this 6th day of February, 20 06, at Tulsa, Oklahoma



Sharon Michals
NOTARY PUBLIC (ID #02008351)

Sharon Michals
(Printed or Typed)

LOUISIANA DEPARTMENT OF
ENVIRONMENTAL QUALITY

Mike D. McDaniel, Ph.D., Secretary

BY: _____

Harold Leggett, Ph.D., Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 18th day of April, 200 6, at Baton Rouge, Louisiana.

Carolyn O. Bryant
NOTARY PUBLIC (ID #24983)
Carolyn O. Bryant
(Printed or Typed)

Approved: _____

Harold Leggett, Ph.D., Assistant Secretary